



STATE OF DELAWARE

PUBLIC SERVICE COMMISSION

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April 22, 2019

To: The Chair and Members of the Commission

From: Shona Marshall, Public Utility AnalystSM

Subject: IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY FOR APPROVAL OF THE 2019 PROGRAM FOR THE PROCUREMENT OF SOLAR RENEWABLE ENERGY CREDITS (FILED FEBRUARY 13, 2019) – PSC Docket No. 19-0080

Background:

In 2007, the Governor approved and signed into law the Renewable Energy Portfolio Standards Act, 26 *Del. C.* §§ 351-364, (“REPSA”), the purpose of which was to “establish a market for electricity from [renewable energy resources] in Delaware, and lower the cost to consumers of electricity from these resources.” 26 *Del. C.* § 351(c). REPSA requires retail electricity suppliers,¹ such as Delmarva Power & Light Company (“Delmarva”), to purchase energy from Eligible Energy Resources (as that term is defined in REPSA) to meet a portion of their annual retail load. For the 2019 compliance year (beginning June 1, 2019), retail electricity suppliers must purchase at least 19% of their retail load in Delaware from renewable resources, with solar accounting for 2%. REPSA also required the formation of the Renewable Energy Taskforce (“Taskforce”) for the purpose of “making recommendations about the establishment of trading mechanisms and other structures to support the growth of renewable energy markets in Delaware.” 26 *Del. C.* § 360(d). This procurement is subsequent to the Delaware Public Service Commission’s (the “Commission”) approval of the 2012 Pilot Program (“Pilot Program”),² the 2013 Solar Renewable Energy Credit (“SREC”)³ Procurement Program (“2013 Program”),⁴ the 2014 SREC Procurement

¹ This was changed to require that only Commission-regulated electric companies be responsible for the RPS obligation beginning in compliance year 2012 and thereafter by SB No. 124 signed on July 7, 2011.

² The Commission approved the Pilot Program via Order Nos. 8075 and 8093 in PSC Docket No. 11-399.

³ “Solar Renewable Energy Credit” as defined in 26 *Del. C.* § 352(25).

⁴ The Commission approved the 2013 Program via Order Nos. 8281 and 8450 in PSC Docket No. 12-526.

(“2014 Program”),⁵ the 2015 SREC Procurement (“2015 Program”),⁶ the 2016 Program (“2016 Program”),⁷ the 2017 Program (“2017 Program”),⁸ and the 2018 Program (“2018 Program”),⁹ collectively the (“SREC Programs”) per the Taskforce’s recommendations.

The 2019 Program

On February 13, 2019, Delmarva filed an application (“Application”) with the Commission for approval of the 2019 Program for the Procurement of Solar Renewable Energy Credits (the “2018 Program”) and requested expedited treatment of the docket. The Application offered the Company’s Report in Support of its Application (Exhibit “C”).

From June of 2018 through December 2018, the Taskforce met on a regular basis to develop the 2019 Program, and all meetings were open to the public. Like the 2018 Program, the 2019 Program will cover only one (1) year. The purpose of the 2019 Program is to build upon the foundation of the previous SREC Programs by providing a framework that supports the efforts of Delmarva to meet the requirements as defined in REPSA. In developing the framework for the 2019 Program, the Taskforce considered the following: 1) Simplifying the tier structure to facilitate competition, encourage robust bidding, and reduce the opportunity for under subscription. 2) Whether to prevent bids that have been rejected on the basis of price in one tier from being used to fill other tiers in an effort to keep overall costs lower. 3) How to accommodate and encourage community solar projects.

The key aspects of the 2019 Program and the ways in which it differs from the 2018 Program are highlighted below:

2018 Program Tier Structure			
New Systems		Existing Systems	
N-1	Less than or equal to 50 kW (Customer Owned)	E-1	Less than or equal to 50 KW (Customer-Owned)
N-2	Greater than 50 kW but less than or equal to 500 kW	E-2	Greater than 50 kW but less than or equal to 2 MW
N-3	Greater than 500 kW but less than or equal to 2 MW	E-3	Systems greater than 2 MW
N-4	In-state systems greater than 2 MW and out-of-state systems greater than 500 kW	E-4	Less than or equal to 50 KW (Customer-Owned)
N-5	Less than or equal to 50 kW (Not Customer-Owned)		

Figure A

⁵ The Commission approved the 2014 Program via Order Nos. 8551 and 8629 in PSC Docket No. 14-41.

⁶ The Commission approved the 2015 Program via Order Nos. 8717 and 8764 in PSC Docket No. 14-0560.

⁷ The Commission approved the 2016 Program via Order Nos. 8884 and 8890 in PSC Docket No. 15-1472

⁸ The Commission approved the 2017 Program via Order Nos. 9050 and 9116 in PSC Docket No. 17-0154.

⁹ The Commission approved the 2018 Program via Order Nos. 9215 and 9235 in PSC Docket No. 18-0224.

2019 Program Tier Structure	
Tier 1	Less than or equal to 50 kW (Customer-Owned), not interconnected before June 9, 2017
Tier 2	Greater than 50 kW but less than or equal to 500 kW, not interconnected before August 4, 2018
Tier 3	Greater than 500 kW but less than or equal to 2 MW, not interconnected before August 4, 2018
Tier 4	In-state systems greater than 2 MW and in-state leased systems, not interconnected before August 4, 2018
Tier 5	Out-of-state and all existing systems

Figure B

The 2018 Program consisted of nine tiers separated into two classifications, New Systems with five tiers and Existing Systems with four tiers (see Figure A). The 2019 Program will procure SRECs from the five tiers depicted in Figure B. All eligible systems in Tiers 1 through 4 must be sited in Delaware. Tier 5 will consist of all out-of-state systems and existing systems that are less than or equal to 50 kW with a final interconnection approval before June 9, 2017, as well as systems greater than 50 kW with a final interconnection approval before August 4, 2018. Each system is only permitted to submit an application for one tier. Community solar projects are required to enter the tier that is appropriate for their size.

Delmarva proposes to procure a minimum of 15,000 SRECs and a maximum of 20,000 SRECs to be allocated to the tiers as follows: Tier 1 - 4,400, Tier 2 - 2,300, and Tier 3 - 3,300 SRECs for a total of 10,000. After 10,000 SRECs have been secured from these tiers, Delmarva expects to procure 5,000 SRECs from Tier 4. At that time, Delmarva may fill any remaining undersubscribed tiers with the lowest priced bids from any tier, with the option of procuring up to a maximum of 5,000 additional SRECs through the auction from Tiers 1 through 5.

In the event that a tier is undersubscribed during the procurement of the first 10,000 SRECs, that tier will first be filled by the lowest-priced losing bids that have not been rejected on the basis of price, that remain from Tiers 1 through 3. If Tiers 1, 2, or 3 remain undersubscribed, the SEU will have the option to use its SRECs banked in accordance with Section 360(c) of REPSA to fill the undersubscribed tier at the lowest winning bid price in the applicable undersubscribed tier. If the SEU declines to exercise this option, or if the tier remains undersubscribed after the SEU exercises this option, bids from Tier 4 can be used to supply those SRECs. In the event any tier within the first 10,000 SRECs is undersubscribed due to bids rejected on the basis of price, that tier will be filled by the lowest-priced losing bids in Tiers 1, 2, or 3, that were not rejected on the basis of price. If Tiers 1, 2, or 3 still remain undersubscribed, bids from Tier 4 can be selected to supply those SRECs. If bids are rejected on the basis of price in Tier 4 and result in under subscription, that tier will be filled by the lowest priced bids that have not been rejected due to price from Tiers 1, 2, or 3. Next, if Tier 4 remains insufficiently subscribed, bids from Tier 5 can be selected to supply those SRECs. Finally, if Tier 5 is not sufficiently subscribed due to rejected bids, that tier will be filled by the lowest priced losing bids that have not been rejected due to price from any tier.

The length of the contracts will continue to be twenty (20) years which is consistent with previous SREC Programs. The SREC price will be the winning bid price for the first ten (10) years and for the remaining ten (10) years the SREC price will be the lower of the bid price or \$20.00 per SREC.

The Taskforce approved the continued involvement of the SEU in the 2019 Program. For cost recovery purposes, it remains Delmarva's obligation to show that it could not have performed the functions/tasks of the SEU and its contract administrator at a lower overall cost when Delmarva submits its application for cost recovery.

Staff Review of the Proposed 2019 SREC Procurement Program:

The period for written comment and intervention established by public notice ended on April 26, 2019;¹⁰ the DPA filed its Statutory Notice of Intervention; and DNREC timely filed its petition for leave to intervene. No written comments were received.

Staff notes that the Taskforce entertained much discussion on the details of the 2019 Program. The Taskforce is charged with establishing balanced market mechanisms for SREC trading, minimizing the cost for complying based upon deliberate and factual analysis and study, establishing mechanisms to maximize in-state renewable energy generation, and ensuring that residential, commercial, and utility-scale photovoltaic systems of various sizes are financially viable and cost-effective investments in Delaware.¹¹ Many of the changes to the 2019 Program addressed those matters while incorporating the feedback from previously executed SREC Programs. Staff found Delmarva's Application to be consistent with the Taskforce's recommendations.

Recommendation:

Staff supports Delmarva's Amended Application for the 2019 Program for the following reasons: (1) it is in compliance with the Taskforce's recommendations, the Delaware Code, the Commission Regulations, prior orders, and applicable law; (2) it is in the public interest; (3) the Taskforce meetings were held in a public forum; and (4) this hearing was properly noticed along with the public comment and intervention period to allow intervenors to participate. Staff supports the changes to the procurement process as included in the Amended Application and respectfully recommends that the Commission approve the application.

¹⁰ See 26 *Del. Admin. C.* § 1001.1.9.1.

¹¹ 26 *Del. C.* § 360(d).